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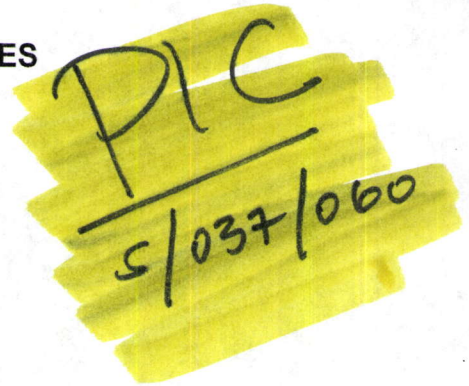
DIV. OF OIL, GAS & MINING

FORM MR-RC (SMO)
Revised August 9, 2006
RECLAMATION CONTRACT

Mine Name: Spanish Valley Clay Pit

Other Agency File Number: ML 44253

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



---ooOoo---

SMALL MINE RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between **Grand Co Water Conservancy Dst** the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. **S/037/060** which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.
2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:

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- A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private on-site ways, roads, railroads; land excavations; drill sites and

workings; refuse banks or spoil piles; evaporation or settling ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and

- B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.
- 3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.
 - 4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as **ATTACHMENT A** to this Contract.
 - 5. If the Surety expressly provides for cancellation or termination for non-renewal:
 - A. The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or
 - B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety

12. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease mining operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.
13. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.
14. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.
15. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the mining operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.
16. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

The signatory below represents that the Operator, if not a natural person, is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah, and that he/she is authorized to execute this Contract on behalf of the entity as Operator.

OPERATOR:

Grand County Water Conservancy District
Operator Name

By Terry Sykes
Authorized Officer (Typed or Printed)
Manager/Operator
Authorized Officer - Position

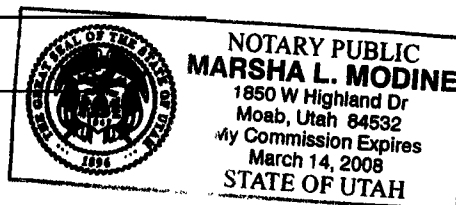
Terry Sykes 8/20/07
Officer's Signature Date

STATE OF Utah)
) ss:
COUNTY OF Grand)

On the 20th day of August, 20 07, Terry Sykes personally appeared before me, who being by me duly sworn did say that he/she is a Manager/Operator (owner, officer, director, partner, agent or other (specify)) of the Operator Grand County Water Conservancy District and duly acknowledged that said instrument was signed on behalf of said Operator by authority of its bylaws, a resolution of its board of directors or as may otherwise be required to execute the same with full authority and to be bound hereby.

Marsha L. Modine
Notary Public
Residing at _____

My Commission Expires: _____



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DIVISION OF OIL, GAS AND MINING:

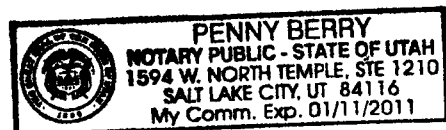
By *John R. Baza*
for John R. Baza, Director *Mary Ann Wright* Date *8/24/07*
Assoc. Dir. Mining

STATE OF *Utah*)
COUNTY OF *Salt Lake*) ss:

On the *24* day of *August*, 2007, *Mary Ann Wright*
personally appeared before me, who being duly sworn did say that he, the said
Mary Ann Wright is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.

Penny Berry
Notary Public
Residing at: *Salt Lake*

1/11/2011
My Commission Expires:



FACT SHEET

Commodity: Clay

Mine Name: Spanish Valley Clay Pit

County: San Juan

Disturbed Acres: 5 (five)

Operator Name: Grand Co Water Conservancy Dst.

Operator address: 3025 E SPANISH TRAIL RD P O BOX 1046 MOAB UT 84532

Operator telephone: (435) 259-8121

Operator email: gwssa.marsha@frontiernet.net

Contact: Terry Sykes

Surety Type: PTIF Account

Account #: 4750-GCWD-Clay Mine Rec-DOGM

Held by (Bank/BLM): State Treasury

Surety Amount: \$10,000.00

UTU and/or ML number: ML-44253

Escalation Year: 2010

Reclamation Surety Account Escrow Agreement

PIC
S/037/060

This Reclamation Surety Account Escrow Agreement (Agreement) is entered into between Grand County Water Conservancy District (GCWCD), and the Division of Oil, Gas and Mining (Division).

RECITALS

1. Grand County Water Conservancy District operates a small mining operation identified by the parties as Spanish Valley Clay Pit, Notice of Intention No. S/037/060 and has executed a Reclamation Agreement obligating it to reclaim the mining operation in accordance with the requirements of the Utah Land Mined Reclamation Act, (Utah Code §§ 40-8-1 et seq. (2007)).

2. In accordance with its requirements under that Act and the Reclamation Agreement, GCWCD has agreed to provide a surety in an amount sufficient to guarantee the reclamation of the site as required.

3. The parties have agreed that GCWCD shall provide a surety in a form of an escrowed PTIF account in accordance with the terms and conditions set forth in this Agreement.

TERMS AND CONDITIONS

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement and intending to be bound, the parties agree as follows:

1. Grand County Water Conservancy District (GCWCD) shall deposit the sum of \$10,000 (escalated to 2010 year) in a Public Treasurers Investment Fund (PTIF) account, that is identified as account number 4750-GCWD-Clay Mine Rec-DOGM which

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account shall be held by the Utah State Treasurer in accordance with a fully executed PTIF Escrow Agreement in the form attached hereto as Exhibit A.

2. This PTIF account is intended to serve as a surety for the reclamation obligation of GCWCD as set forth in a Reclamation Agreement between GCWCD and the Division governing the obligation of GCWCD to reclaim the mine site known as the Spanish Valley Clay Pit, Notice of Intention No. S/037/060.

3. GCWCD agrees that, upon written notice by DOGM to GCWCD, the Director of the Division shall be entitled to immediately and without further action or approval, designate all or part of this Reclamation Surety amount to be used for reclamation of the Spanish Valley Clay Pit, permit number S/037/060 in accordance with the requirements of the Mined Land Reclamation Act.

4. GCWCD agrees that the Reclamation Surety amount shall be subject to adjustment as necessary based on a periodic review by DOGM or as the result of any changes to the clay pit or the mining operations that require a change in surety amount.

5. Upon completion of the reclamation work as required by the Reclamation Agreement, DOGM will provide written consent to the GCWCD for the full release of the Reclamation Surety obligation. In the event of a partial release of the Reclamation Surety, DOGM will determine the release amount in accordance with the procedures and requirements of the Utah Mined Land Reclamation Act as amended.

6. The Division Director shall have authority to make a withdrawal on the PTIF account as required to fulfill the purposes of the surety as set forth in the Reclamation Agreement. Withdrawal cannot occur without DOGM providing a 15 day prior written notice to GCWCD indicating a withdrawal will occur including a

description of the circumstances influencing the withdrawal, unless immediate withdrawal is required to accomplish the purposes of the Act.

7. Any PTIF account changes to the terms and conditions including but not limited to withdrawals and deposits to the account shall only be made with written approval from the DOGM Division Director and GCWCD; provided that if the balance exceeds the surety reclamation requirement, GCWCD may transfer or withdraw the amount that exceeds the surety requirements of the Division.

8. GCWCD will provide DOGM account balance information on a yearly basis. This information will be in the form of a statement and will be submitted to: State of Utah, Division of Oil, Gas and Mining, 1594 West North Temple, Salt Lake City, Utah 84114, attn. Minerals Regulatory Program by December 31 of each year.

9. This Agreement can only be modified by a written amendment executed by all of the parties, and shall be effective upon the date of last signature.

10. GCWCD will remain responsible for its obligations under this Agreement unless its permit is transferred to a successor operator pursuant to the Act as amended.

Grand County Water Conservancy District

by Dan Pyatt
title Chairman

by Terry Sykes
title Manager

Date:

UTAH DIVISION OF OIL, GAS, AND MINING

for John R. Baza
Division Director
Mary Ann Wright
Assoc Dir Mining

Date:

8/24/07

PUBLIC TREASURER'S INVESTMENT FUND PTIF ESCROW AGREEMENT

THIS PUBLIC TREASURER'S INVESTMENT FUND (PTIF) PTIF ESCROW AGREEMENT ("PTIF escrow agreement") is made and entered into as of August 15, 2007 (the "Effective Date"), by and among Grand County Water Conservancy District (GCWCD), (OPERATOR); the Utah Department of Natural Resources, Division of Oil, Gas and Mining ("DOGM"); and the Manager of the Public Treasurer's Investment Fund, a fund held and managed by the State of Utah for political subdivisions of State including GCWCD, (PTIF Manager).

RECITALS:

WHEREAS, OPERATOR operates the **Spanish Valley Clay Pit** (the "Mine") under **Notice of Intention No. S/037/060**, issued by DOGM;

WHEREAS, OPERATOR and DOGM have entered into an agreement to provide surety for the reclamation obligations activities at the **Spanish Valley Clay Pit**, titled Reclamation Surety Account Escrow Agreement ("Reclamation Agreement")

WHEREAS, OPERATOR has agreed to place an initial sum of Ten thousand dollars (\$10,000.00) in the PTIF account number 4750-GCWD-Clay Mine Rec-DOGM in accordance with the terms of the Reclamation Agreement, which is an amount sufficient to satisfy the total reclamation surety requirements for the mine in accordance with the Reclamation Agreement.

NOW THEREFORE, in consideration of the recitals, the mutual promises and agreements set forth in this PTIF escrow agreement, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

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SECTION 1. Appointment.

1.1 **OPERATOR and DOGM** hereby authorize appoint PTIF Manager as their Agent for the purposes set forth herein, and the PTIF Manager hereby accepts such appointment under the terms and conditions set forth herein. The costs and fees, if any, associated with the Agent's performance of its duties under this agreement shall be born by OPERATOR from funds other than the PTIF Account.

SECTION 2. PTIF Fund.

2.1 Prior to or simultaneous with the execution and delivery of this PDIF PTIF escrow agreement, the Agent agrees to open an interest-bearing account number 4750-GCWD-Clay Mine Rec-DOGM (the "PTIF Account") into which OPERATOR shall make the deposit set forth in Paragraph 2.2 below.

2.2 OPERATOR shall deliver to Agent, prior to or simultaneously with the execution and delivery of this PTIF escrow agreement, the sum of \$10,000.00 as the deposit of the amounts required under the Reclamation Agreement. The amount held by the PTIF Manager in the PTIF Account at any time shall be designated as the account number 4750-GCWD-Clay Mine Rec-DOGM PTIF Funds (PTIF Funds). The Agent agrees to accept the delivery of the PTIF Funds and shall hold the same in the PTIF Account number 4750-GCWD-Clay Mine Rec-DOGM in accordance with the terms and conditions set forth in this Agreement.

2.3 The interests of OPERATOR and DOGM in the PTIF account and in the PTIF funds are restricted to the use by DOGM for reclamation work at the Mine and shall not be assignable or transferable.

2.4 The PTIF Funds shall be held as trust funds and shall not be subject to any offset, lien, attachment, trustee process or any other judicial process of any creditor of any party hereto. Agent shall hold the PTIF funds in trust for the benefit of DOGM only unless the Reclamation Agreement and this Agreement are terminated.

SECTION 3. Investment of Funds in the PTIF account

3.1 The funds deposited by the parties hereto in the Escrow Fund shall be invested by the Treasurer in the Utah Public Treasurers' Investment Fund established by Section 51-7-5 of the Utah Code. All interest earned on moneys held in the Escrow Account shall be retained therein and disbursed as provided herein.

SECTION 4. PTIF Funds Disbursement and Withdrawal. The Agent shall only disburse the PTIF funds as follows:

4.1 Promptly, after receipt by the Agent of a Request for Withdrawal signed by DOGM's representative in a form substantially similar to Exhibit 1 attached to this Agreement and incorporated herein by reference, (the "Withdrawal Request"), the Agent shall withdraw from the PTIF Fund such sums as may be requested in such Withdrawal Request as being necessary to satisfy the obligations of OPERATOR in accordance with the terms of the Reclamation Agreement. Upon the expiration of ten days prior written notice from the Agent to OPERATOR, the Agent shall disburse to DOGM such sums as indicated in the Withdrawal Requests.

4.2 Agent shall disburse funds to OPERATOR only upon the written notice from DOGM and OPERATOR that the Reclamation Agreement is satisfied, transferred and replaced,

or terminated in accordance with its terms; provided that an amount equal to interest earned on the sums held in escrow may be disbursed to Operator unless DOGM advises the Operator and Agent within ten days that the amount of interest earned is necessary to satisfy the obligations for reclamation.

4.3 The Agent shall disburse funds as directed by any final, non-appealable order of any court having jurisdiction over the parties subject to the Reclamation Agreement.

4.4 In the event of a dispute with respect to the payment and/or ownership or right of possession of all or any portion of the PTIF funds , the Agent is authorized and directed to retain in its possession, without liability to anyone, all or any part of the PTIF funds until such dispute shall have been settled by written mutual agreement between the parties concerned or, in the absence thereof, receipt by the Agent of a final, no-nappealable order of a court of competent jurisdiction directing disposition of such funds. The Agent shall be entitled to rely upon such final agreements or orders and to distribute the PTIF funds and the interest accrued thereon in accordance therewith.

SECTION 5. Duties of Agent; Compensation and Reimbursement; Limitation of Agent's Liability.

5.1 The sole duties of Agent, other than as herein specified, shall be to receive, hold and disburse the PTIF funds in accordance with this PTIF escrow agreement.

5.2 The fees for the usual services of the Treasurer under the terms of this Escrow Agreement are set forth in the schedule attached hereto as Exhibit "A". It is agreed that additional compensation shall be paid to the Treasurer for any additional or extraordinary service it may be requested to render hereunder, and the Treasurer shall be reimbursed for any out-of-

if to Agent:

Utah State Treasurer's Office
E315 Capitol Complex
PO BOX 142315
Salt Lake City, Utah 84114
801-538-1470

7.3 This PTIF escrow agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

7.4 The headings contained in this PTIF escrow agreement are for convenience of reference only, shall not be deemed to be a part of this PTIF escrow agreement and shall not be referred to in connection with the construction or interpretation of this PTIF escrow agreement.

7.5 This PTIF escrow agreement shall be construed in accordance with, and governed in all respects by, the laws of Utah.

7.6 This PTIF escrow agreement shall be binding upon and shall inure to the benefit of OPERATOR and its successors and assigns (if any); DOGM and its successors and assigns (if any); and to Agent and its successors and assigns (if any).

7.7 Any term or provision of this PTIF escrow agreement may be amended, and the observance of any term of this PTIF escrow agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by the party to be bound thereby. The waiver by a party of any breach hereof or default in the performance hereof will not be deemed to constitute a waiver of any other default or any succeeding breach or default.

No failure on the part of any party to exercise any power, right, privilege or remedy under this PTIF escrow agreement, and no delay on the part of any party in exercising any power, right, privilege or remedy under this PTIF escrow agreement shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

7.8 In the event that any provision of this PTIF escrow agreement, or the application of any such provision to any person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this PTIF escrow agreement, and the application of such provision to persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law. This PTIF escrow agreement shall be construed in a manner consistent with the terms of the Reclamation Agreement.

7.9 This PTIF escrow agreement and the other agreements referred to herein set forth the entire understanding of the parties relating to the subject matter hereof and thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof and thereof.

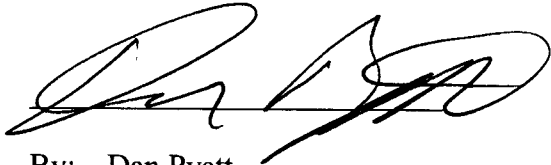
7.10 Each party agrees to cooperate fully with the other parties and to execute such further instruments, documents and agreements and to give such further written assurances as may be reasonably requested by any other party to evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intents and purposes of this PTIF escrow agreement.

SIGNATURES:

IN WITNESS WHEREOF, OPERATOR, DOGM, and Agent have executed and delivered this PTIF escrow agreement as of the date first above written.

OPERATOR COMPANY, INC.

AGENT



By: Dan Pyatt

Its: Chairman

Date: August 16, 2007

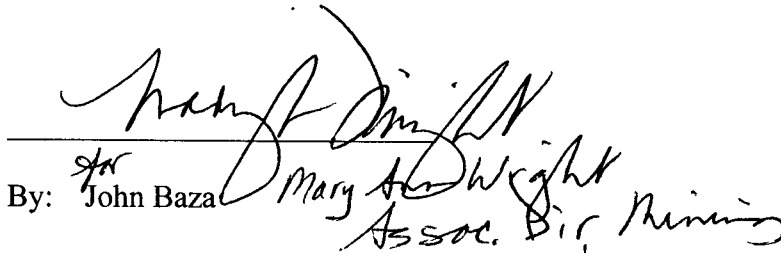


By: Jason Nielsen

Its: Financial Manager

Date: 8-30-07

**UTAH DEPARTMENT OF NATURAL
RESOURCES
DIVISION OF OIL, GAS AND MINING**



By: John Baza *Mary Ann Wright*
Assoc. Dir. Mining

Its: Director

Date: 8/24/07